

April 2010 Analysis of Revenue Collections

April Revenues

April marked the beginning of the final quarter of the fiscal year. Department of Revenue tracked tax collections were down \$1.4 billion or -10.7% year to date. Individual categories year to date are as follows:

- Individual Income taxes were down \$798 million or -12.3%.
- Sales and Use Tax collections decreased by \$493 million or -11.0%.
- Corporate Income Tax collections decreased \$38 million or -6.8%.
- Total Motor Fuel Tax collections declined \$55 million or -7.5%.

Revenue Trajectory

April brought mixed news in terms of revenue collections. It was encouraging to see positive month over month collections in sales and use taxes (12.0%), corporate income tax (13.9%) and motor fuel taxes (29.9%). The Sales and Use Tax collections uptick may be a good sign that the retail sector is starting to pick up.

The concern though is whether we will see collections pick up enough to meet the revenue estimate for the remainder of the FY10 fiscal year. **As we go into the final two months of the fiscal year the state has exceeded the \$1.697 billion shortfall built into the amended budget by \$3 million.** If negative collections continue, the state will be forced to use federal stimulus money allocated for FY11, withhold agency allotments, or dip into the revenue shortfall reserve in order to make budget. In April, individual income tax collections (which make up half of total revenue collection) were down -16.4% month over month. If these negative trends in individual income tax collections continue it becomes increasingly likely that a combination of these measures will have to be utilized.

Table 1: FY2010 Estimated Shortfall		
	DOR Tracked	All State General Funds (Incl. MFT)
FY09 Revenues YTD	\$12,992,553,000	\$13,846,635,918
FY10 Revenues YTD	\$11,596,166,000	\$12,269,779,968
Revenue Deficit	-\$1,396,387,000	-\$1,576,855,950
Growth Built into FY10 General Estimate (Over FY09) That Will Not Be Realized	-\$304,116,664	-\$227,585,390
Estimated FY2010 Amd. Shortfall	-\$1,700,503,664	-\$1,804,441,340
FY10A Governor Estimated Shortfall	-\$1,697,408,477	-\$1,780,343,348
Difference from Estimated FY10 Amd Shortfall	-\$3,095,187	-\$24,097,992

Reserves

Currently, the state has \$103.6 million in reserves that have not been committed in the FY10 budget. This is the equivalent of about 2 ½ days of state operations. In FY2009 the state had 19 days of operations in reserves and in FY2008 it was 31 days.